



POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO

840 Boonville
Springfield, Missouri 65801
Voice Mail (417) 831-8901
Box Number 44140

Minutes July 9, 2009

1. Call to Order

Homan called the meeting to order at 8:35 a.m. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Ken Homan	Chairman	X	
Beau Barrett	Citizen	X	
David Carter	Fire	X	
Jim Edwards	Police	X	
Steve Fenner	Citizen	X	
David Hall	Fire	X	
Ron Hoffman	Retiree	X	
Evelyn Honea	Deputy City Manager		X
Sheila Maerz	Human Resources		X
Mary Mannix-Decker	Finance	X	
Jim McCulloch	Police		X
Cindy Rushefsky (NV)	City Council Liaison	X	
Dan Wichmer (NV)	Law		X
Nikki White (NV)	Secretary	X	

NV = Non-voting

2. Approval Meeting Minutes – June 10, 2009 (closed session) and June 11, 2009 (open and closed sessions)

Homan stated that the minutes from the closed session from June 10, 2009 as well as the open and closed sessions from June 11, 2009 required the Board's approval. Homan asked for a motion to approve the closed session minutes for June 10, 2009 minutes as presented. Motion made by Hoffman; 2nd by Fenner. Vote all: Yes.

Homan asked for a motion to approve the open and closed sessions minutes for June 11, 2009 as presented. Motion by Hall; 2nd by Fenner. Vote all: Yes.

3. Approval of Financial Statement Ending May 31, 2009

Homan asked Mannix-Decker to review the May financial statement.

Mannix-Decker stated that May was a strong month in the market. She reported on the following items of interest:

- Cash balance was \$10,452,021.
- Brandywine was up \$506,869 for the month.
- Galliard outperformed the index and was up \$469,280 for the month.
- Pictet performed below the index, but was up overall by \$2.3 million.
- Prudential will be revalued in June.
- State Street performed slightly below the index for a \$1.7 million gain.
- Net assets were \$113,224,175 at the end of May.
- Value of investments were up \$5 million over April.
- Employee Plan 1 contributions totaled \$217,016.
- Employer Plan 1 contributions totaled \$11,345,070 of which \$9.9 million is the AT&T settlement. The balance of the settlement will continue to come in.
- Employee Plan 2 contributions totaled \$14,521 and Employer Plan 2 contributions totaled \$85,775.
- Total contributions for May were \$11,662,382.
- Manager fees totaled \$100,090. This amount is higher due to fees reclassified from prior months.
- Total additions for the month of May were \$16,746,107.
- Mannix-Decker has visited with the auditor about the settlement skewing the year end numbers. The auditor said there will be a disclosure stating that there was a settlement that was a one-time contribution.
- Retirement benefit payments totaled \$1,283,866 and return of contributions totaled \$635,062.
- Administrative expenses totaled \$7,323. This included the computer and software.
- The net increase in plan assets were \$14,819,856.

Homan stated that the MSCI web site showed the EAFE was up 12.27% versus 15.35 on the April statement. Mannix-Decker said the numbers come straight from the Pictet statement, but she will double check the numbers. Homan also stated that the web site shows 11.08% in May versus 17.14% as indicated on the financial statement. He said he's not certain if that number is with or without dividends and that might make up 1% to 1.5%, but certainly not 7%.

Homan asked for a motion to approve the financials for May 31, 2009. Motion by Hall; 2nd by Hoffman. Vote all: Yes.

4. Review of Retirement/Survivor/Relinquishment Applications

Age & Service

Randall Blackburn	Police	Eligible: 07/10/09
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It was noted that Blackburn will be purchasing additional years of service to reach his 25-year mark. The application was submitted one day prior to the Pension Board meeting because of just receiving notice of being hired in Branson. The retirement application is missing the retirement date as well as completion of the employee certification section.

Homan asked for a motion to approve the Age & Service application. A motion was made to approve the application pending completion of the employee certification and calculation. Motion by Hall; 2nd by Edwards. Vote all: Yes.

5. Approval of Return of Contributions

David Dean	Relinquishment	Police	\$ 21,404.14
Richard Counts	Age & Service	Police	\$101,617.56
Richard Kuhn	Age & Service	Fire	\$108,854.23
Total			\$231,875.93

Homan asked for a motion to approve the return of contributions for two (2) age and service applications (Counts and Kuhn), one (1) relinquishment (Dean) totaling \$231,875.93. Motion by Hall; 2nd by Carter. Vote all: Yes.

6. Review of Retirement Calculations

Age & Service

Name	Dept.	Years of Service	Monthly Pension Amount	Partial Pension Amount
Richard Counts	Police	25.2	\$4,000.72	\$2,800.50
Barry Rowell	Fire	28.64	\$5,617.65	\$4,681.37
Michael Rust	Fire	20.95	\$2,948.53	\$ 190.23

Hall stated that Rowell's years of service appear to be incorrect. He believes it should be around 24 years versus 28. He added that Rowell left service with the city at one point in his career and was rehired. Mannix-Decker exited to confirm the years of service. (The motion to approve the calculations took place later in the meeting after the task force report, page 8).

Revisions

Name	Application Type	Partial Month Amount Approved 6/09	Revised Partial Month Amount
Stanley Budzyna	Age & Service	\$1,579.27	\$1,491.58
Daniel Dougherty	Age & Service	\$ 131.72	\$ 0.00
Gary Helvey	Age & Service	\$1,679.74	\$1,606.66
John House	Non-Duty Disability	\$1,472.46	\$1,367.34
Jerry Plott	Duty Disability	\$1,322.17	\$1,227.72
Charles Wilson	Age & Service	\$1,931.38	\$1,732.14

Mannix-Decker passed out a memo regarding a recently discovered error in the partial month pension amount on some retirement calculations. The retirement date and the last employment date were the same. This resulted in an overpayment of one day's pension in the first month a retiree received a benefit check. The monthly pension amount is correct, so the overpayment occurred only in the first check. A manual adjustment of the dates is required in the database which led to this error. The error

was discovered in the retirement calculations presented to the board at the June meeting. The partial month's payment was corrected before the checks were mailed.

Mannix-Decker said the finance department has reviewed the files and found 14 other retirees that were overpaid by one day between September 2007 and April 2009. The total amount of overpayment for all 14 retirees is \$1,863.31. The individual amounts range from \$88.72 on the low end, to a high of \$198.73. She asked for direction from the board on how to handle the overpayment.

Rushefsky suggested sending a letter of explanation and spreading the amount due over two months. Hall suggested sending a letter now to prepare them that the next two checks will be a lesser amount to make up for the overpayment. A motion was made to send an explanation letter with the overpaid retiree's July check and then deduct the amount due from the August and September checks. Motion made by Hall; 2nd by Edwards. Vote all: Yes.

7. New Business

SSgA

Homan asked Mannix-Decker to review the SSgA update. She distributed a copy of the email communication between her and Reina concerning the Wells Notice SSgA received from the SEC. The Wells Notice related to an ongoing investigation of disclosures and management of certain SSgA active fixed income strategies in 2007 and earlier periods. A Wells Notice is a letter sent from the enforcement division of the SEC informing people or firms when it is planning to bring an enforcement action against SSgA. This doesn't mean that an enforcement action has commenced and SSgA will have the opportunity to present their side to the SEC. Mannix-Decker contacted Reina for more information and he indicated that he was following up with a phone call. She did receive a response from Reina and it stated that it was disclosure action related to SSgA's exposure to subprime mortgages in 2007 and earlier. Mannix-Decker said she doesn't recall the exact time the Pension Board became involved with SSgA, but she believes it was sometime in 2007. Homan stated that it was late fall of 2007. Mannix-Decker said she would keep the board informed as she learns more information.

Homan stated that Reina had recommended last month investing the AT&T proceeds over a six-month period starting in mid-July. The board addressed if the funds could be deposited sooner and took action to do so, but in that process discovered that the transfer from the SSgA's lending account to the non-lending account needed more direction from the board. A new account was opened and a June addition was made to the non-lending account, but more direction as far as transferring from the lending account to the non-lending account is needed. Four percent of the total can be transferred each month on an accumulative basis. Twenty percent has already been accumulated therefore the board could transfer that amount from the lending account to the non-lending account. Mannix-Decker added that \$730,000 per month for six months is being transferred. In June the funds were transferred to the non-lending account, but she needs direction on where to direct the funds in the coming months.

Hall made a motion to put all of the new SSgA transfers into the non-lending account and that each month continue to maximize the transfer from the lending account into the non-lending account.

Discussion: Fenner asked if there is someone in Springfield that can handle the Pension Board investments. He also asked if there are conservative bonds or stock the board can look into. Homan said he doesn't know of anyone local who directly manages investments like the Pension Board's. He said they would find another manager to do this type of work just as the current investment consultant

is doing. The board hires the investment consultant because they have the tools and resources to find the managers that best fit the needs. Most of the local brokers and financial managers are handling personal monies primarily and not pension monies. It is a different investment objective that requires special skills. Homan added that the board can change its strategies towards a more passive base and not necessarily utilize a manager that promises to beat the index by 2-3% and take incremental risks to get there. If the board took a more passive base then some fees would be eliminated. He also suggested that fees could be reduced by determining the type of consultant the board needs.

Hall stated that the board is asking the managers to reach the index plus a 3% premium so while they may not be hitting the mark the board is asking for, it doesn't mean that they aren't exceeding the index. Homan added that if there were a local investment firm that managed a certain asset class they could certainly compete. Hoffman said that local firms have sent proposals to the board, but it's hard to even find firms in Missouri that can compete and meet the needs of the board.

Rushefsky asked how the SSgA could affect the Pension Board. Homan said he doesn't know for certain, but thinks the exposure on the board's fund is minimal if not non-existent. Hall added that since it is fixed income that the SEC is concerned about and the board doesn't have any fixed income invested with SSgA the notice was probably sent because of the risk to the company as a whole versus the Pension Board's portfolio specifically. Hoffman said there's probably some exposure as far as the net value of the company. Rushefsky said she would like to know more information and would like to know how much the board has in the lending account. Mannix-Decker stated that \$35.2 million is in the lending account and 4% can be transferred each month. Homan said he would pursue more information on the issue and get more details on the Wells Notice.

Motion on the table: Hall made a motion to put all of the new SSgA transfers into the non-lending account and that each month continue to maximize the transfer from the lending account into the non-lending account. 2nd by Hoffman. Vote all: Yes.

Mannix-Decker exited the meeting at 9:20 a.m.

Blue Star Business Institute

Homan introduced Ben Burnett of Blue Star Business Institute. Burnett contacted Homan about a charity event that they are organizing. Burnett would like the proceeds to benefit the pension system. Burnett stated that his original intent was to request assistance with the business expo. He has since learned that it is not possible to receive assistance from the Pension Board because his business is a for-profit organization. He stated that his purpose for presenting was to ask for permission to use the Springfield Police Officers' and Firefighter's Retirement System name for the charity and donate 5% of the proceeds from the event to the fund. Burnett explained that the purpose of the business expo is to assist local businesses or people wanting to start their own business. He asked for a goodwill gesture to use the Pension Board name to put the event on and a flat 5% will be donated to the pension system. Another 20% will be donated to other charities. Burnett commented that he doesn't know what the 5% will amount to at this time because of not knowing the attendance. However, he doesn't expect it to be a large amount since the event is new. He said it will take the event some time to grow. Homan thanked Burnett for attending and said he would let him know the board's decision.

Hoffman said he has no problem with accepting gifts and contributions, but does have a problem with them attaching the Pension Board name to their event. The board would have no control over the advertising messages that are released. Rushefsky added that it's one thing to accept donations, but

she's not sure the board should solicit. The board agreed that Blue Star Business Institute should not be allowed to utilize the Pension Board name for their event. Homan said he would write a letter to Burnett concerning the board's decision. He added that the board would graciously accept any contributions that wish to be donated at this time.

Citizen's Police & Fire Pension Task Force

Homan reported that the task force is rapidly moving toward recommendations to be forwarded to City Council. They are trying to offer a couple of solutions. They have discussed the benefit structure of new hires. The first alternative is to go to LAGERS much like what has been previously discussed and recommended by the City. The second alternative is to consider a defined benefit plan and social security. The task force doesn't necessarily feel the second alternative is a good alternative, but they realize the community is going to have questions and they want to be in a position to present the pros and cons of a defined contribution plan.

Rushefsky asked what is the approach of the task force? Are they presenting recommendations or reporting everything they have thought about? Homan said the task force is going to give alternatives and present them at the public forums to get input. City Council will then be presented with the alternatives. Hall said that he thinks they will present alternatives and the pros and cons to each. Rushefsky added that part of the value of the task force is getting their input and after reviewing the information what are they prepared to recommend. She thinks anything less than that would be defeating some of the purpose of the Citizen's Task Force. She feels that Council wants this information and it would not be binding because Council would have to make the final decision. She thinks the bottom line is what would the task force recommend based on its examination of all of the information and then give Council the alternatives as well.

Homan feels the Pension Board should also weigh in before the recommendations go to Council. He added that the construction of the board involves two very different alternatives. One is to basically retain the current structure with the exception of the Assistant City Manager and the Council liaison becomes a permanent voting member. The second is a seven member board consisting of a fireman, a policeman and five citizen members appointed by the City Manager. Rushefsky asked for the reasoning behind making her position a voting member. She feels that being a non-voting member gives her the freedom to speak what she thinks in both places. She also feels that having the Council liaison person a non-voting member is a better alternative for the board. Hall added that this is another example of why it would be good for the Pension Board to weigh in on the recommendations. He feels that the idea of the seven member board is to move it outside the control of the City and they would potentially hire an executive director. The board would essentially become its own entity and would have more control over all of the decisions made within the pension system. Homan said the separate entity idea lost some steam within the task force. There was more conversation about taking the conflict of interest out as much as possible and have five citizen members with an executive director. Several people have expressed that an executive director is needed. Hall stated that the reason the recommendation includes leaving both a police and fire employee is because state law requires they be on the board. One advantage of having representatives from police and fire is that they are familiar with the employees and can catch potential mistakes before a pension amount is approved. Rushefsky stated that the position of the board needs to be spelled out.

Homan said the task force has talked about different funding issues from the pension obligation bonds to the sell of assets. Two proposals are being discussed. One is a ¾% sales tax for 5 years and hopefully renewed for another 5 years. The second is a 5/8% sales tax. To work the tax needs to be in

place for two five-year periods. Homan added that Milliman provided an actuarial study that will be emailed to the board. Rushefsky asked about the basis for return of investment. Homan responded 7.5%. The 5/8% sales tax is based on two five-year periods and the plan is closed. Not only would new hires go to LAGERS, but also all Tier II participants. The City would make a 35% contribution of salary for the ten year period then dropping to 29.88% for the duration of the plan. Hoffman asked what level of funding is trying to be achieved? Homan replied that the actuarial takes it to 87% funded. Hall added that previous studies indicated that if a mid-80 percent mark is not obtained the fund won't sustain itself.

Rushefsky asked what would happen if after the renewal period the fund is still not at a sustainable point. Hall replied that the advantage is that payroll is going to continue to decrease and so the City's percentage could go up significantly by maintaining a constant dollar amount. He said both the hard dollars as well as the percentages must be reviewed.

Edwards exited at 9:40 a.m.

Mannix-Decker entered at 9:40 a.m.

Hoffman said he hopes the task force is looking at everything that's been thrown at them. The City was criticized of having tunnel vision when it came to the 1% sales tax solving the problem. The City was accused of not looking at other options. He added that we hope their recommendation solves the problem forever, but nobody has a crystal ball. Barrett stated that everyone needs to be careful using the term self-sustaining.

Fenner asked what other funding sources the task force had reviewed. Homan replied that they have looked at several things including City Utilities. Fenner asked if they had looked at other forms of tax since the sales tax recently failed. He thinks people are upset about the sales taxes and it will be hard to pass. He referenced the crime lab and said citizens think that if they vote down a sales tax the City is going to solve the problem some other way so why should they vote for it. Fenner added that it seems there should be a solution besides one sales tax or another. He added that people are for taxes that aren't coming out of their pockets such as alcohol and tobacco taxes as well as hotel/motel taxes. He thinks a similar tax would have a much better chance of being approved than a sales tax. Homan said the task force reviewed a laundry list of taxes and decided quickly that a sales tax would be the best solution. Hall added it was identified that those who voted no for the previous sales tax had a lack of trust in the City. The problem is how we go back to the citizens with something that is very similar to the first attempt at a sales tax. Fenner said it already failed once, if it fails again what will happen then? Homan said the history is if a sales tax fails twice then there normally isn't a third attempt. Hoffman said the public thinks the City is hiding a treasure chest. He heard comments that people didn't have confidence that the money wouldn't end up going somewhere else. Homan asked the board members to let him know if they had an opinion on whether the Pension Board should inform the task force of a funding source they would like researched or if the board should stay out of the process. Homan reminded the board that resources, minutes and videos of the task force meetings are online.

Approval of Retirement Calculations

Age & Service

Name	Dept.	Years of Service	Monthly Pension Amount	Partial Pension Amount
Richard Counts	Police	25.2	\$4,000.72	\$2,800.50
Barry Rowell	Fire	23.64	\$5,311.88	\$4,426.57
Michael Rust	Fire	20.95	\$2,948.53	\$ 190.23

Mannix-Decker passed out Rowell's revised calculation.

Homan asked for a motion to approve the calculations. Hall made a motion to approve Counts, Rowell and Rust's pension calculations. 2nd by Carter. Vote all: Yes.

Mannix-Decker exited at 9:55 a.m. and didn't return.

Chip Sheppard entered the meeting at 9:55 a.m.

Milliman – Fiscal Year End Report and 5-year Experience Study

Homan reported that Milliman will attempt to get things done as quickly as they receive information. The five-year study will need to be done first. The census information will be provided to Milliman by July 20th. Draft statements will be available in early September. The audit, experience study and actuarial valuation will be presented to the trustees at the October meeting.

Homan said the task force wanted these reports expedited so they could review the information prior to giving their recommendations. Rushefsky said Council has the same concern of making recommendations before the information is available.

Income Verification for Disabled Retirees

Homan reported that in March the board saw the necessity of getting more instructions on what to do about the income verification of disabled retirees. A subcommittee was appointed and reported their recommendations at the April meeting. He stated that there are questions as to whether the entire subcommittee had met and voiced opinions. The April findings were approved. Homan asked if there were any other issue to be raised. Hall said he thought the concerns that were raised were that Mannix-Decker came up with how the process could be handled and the board approved that, but the committee never actually met. Although what Mannix-Decker put together works, there are probably going to be some issues that can be avoided if addressed by the subcommittee. Hall added that he would like to see a committee meet to discuss potential problems. He didn't see any problem with the draft procedure, but thinks a subcommittee needs to look at the implications.

Carter reiterated that Mannix-Decker didn't do anything wrong, he just was concerned that the subcommittee never met. He volunteered to be on the committee, but never had a chance for input. Homan stated that the subcommittee would have to be reappointed. Carter said the original committee consisted of Mannix-Decker, Honea, Wichmer, Hall, Carter, Edwards and Hoffman. Homan said the committee could maintain the members and they could abstain from the subcommittee just as they are

the board. Homan added that the 2007 forms are back and they need be sent out soon. Carter said it may be a good time to meet and review the forms for potential problems that may be faced in the future. Homan asked Carter to assume the responsibility of chair since the appointed chair, Mannix-Decker, is abstaining. Carter agreed. Homan asked him to report back in the next two weeks if possible.

Homan asked for a motion to move to closed session. Motion by Hoffman; 2nd by Carter. Vote all: Yes. Meeting closed at 10:05 a.m. All guests and visitors exited the room.

8. Legal Matters – Closed Session, pursuant to Section 610.021(1), RSMo.

Homan asked for a motion to end the closed session. Hall made the motion; 2nd by Edwards. Vote all: Yes. Closed session ended at 11:20 a.m. Open session resumed at 11:22 a.m.

9. Any and all other matters which fall within the jurisdiction of this committee.

Tier I Plan comparison with LAGERS

Homan asked whether it was legitimate to consider moving Tier I employees to LAGERS. Hoffman said that has already been researched. He said they agreed to move Tier II, but the cost of moving Tier I was too high. Homan added that the system would have to come up with funding for benefits accrued to date before talking about buying service to move the employees to LAGERS. Rushefsky questioned why this wouldn't be legitimate for the task force to review. Hoffman said it would be a reduction of benefits. Homan replied that it would not be a reduction. It wouldn't be a straight move. There would have to be some other 457 that the City contributed a certain amount to put it on equal standing with where those participants were before with the current plan. Hoffman reiterated that LAGERS wasn't even interested in taking on Tier I before so they need to be asked again.

Homan stated that there is a cost for Milliman to delineate the different benefits and put a cost to each benefit in the Tier I and doing the same comparison to LAGERS. This needs to be done to see what needs to be added to LAGERS to be on par with the benefits of Tier I. Homan asked if the board or the City should pay for the analysis. Hall stated that he doesn't see how the board can justify that expense. He thinks that is something the City should consider doing and see if it is possible. He thinks it needs to be addressed and the result will be that it won't work because there can't be anybody who is harmed by the change or else they will have legal standing. Edwards added that the surviving spouse needs to be reviewed as well because the benefit is much higher with Tier I than with LAGERS.

Hall said his understanding is that LAGERS said in the past they would take on the entire fund, but their benefit structure will be utilized. He added that there would be a cost to buy into LAGERS and there would be no picking and choosing benefits. He thinks there are a lot of issues besides straight dollars and cents. Homan said the rough estimate for Milliman to compare the current plan with LAGERS would be \$12,000. All present agreed that the board shouldn't pay for the cost of this study.

PRISA 1st Quarter Update

Homan referenced the PRISA update that was emailed to the board in June. They are projecting that the return expectations after the 1st quarter could go down 15-20%. The update discusses individual

properties such as a Las Vegas condo that's valued at \$80 million below cost and others that are more harmful than Time Square.

Rushefsky exited at 11:30 a.m. and did not return.

Homan reminded the board that MAPERS is next week. He added that trustees are required to complete three sessions of training.

10. Adjournment

Homan asked for a motion to adjourn the July 9, 2009 meeting. Motion by Hall; 2nd by Edwards. Vote all: Yes.

The meeting was adjourned at 11:35 a.m. on July 9, 2009.